

The Way Hoosiers Communicate Has Changed Over the Past Decade...

From 2000 to 2010 Indiana has seen:



**42% Decrease in
ILEC Access Lines**



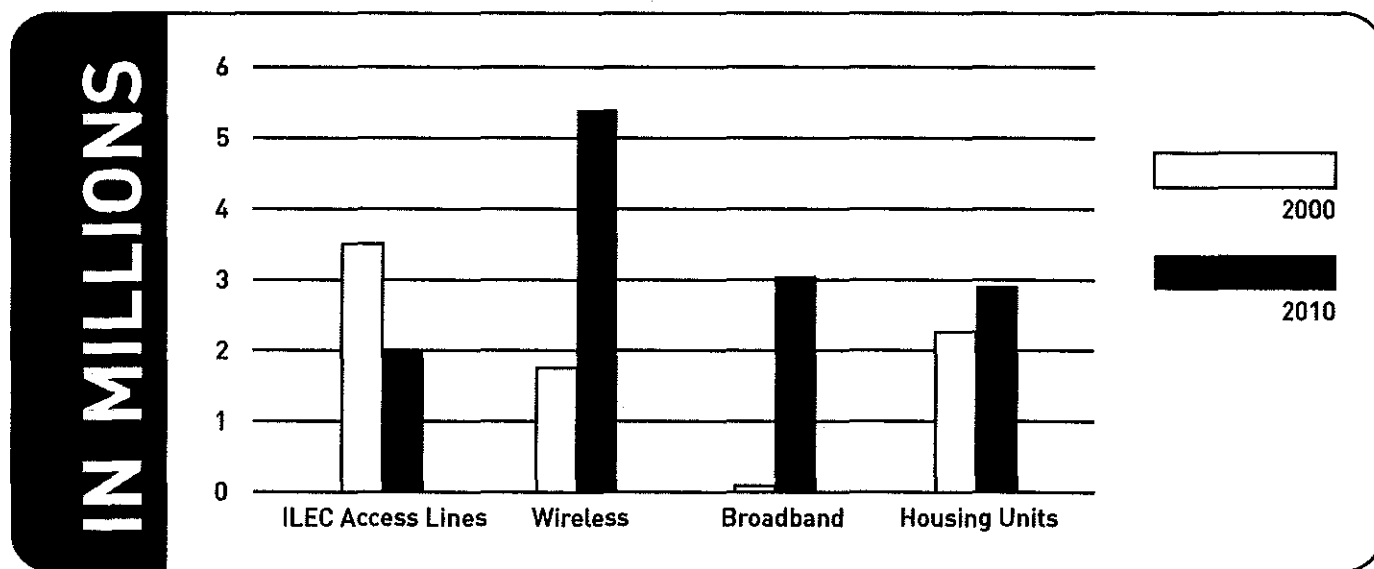
**215% Increase In
Wireless Subscribers**



**4,893% Increase In
Broadband Subscribers**



**19% Increase In
Indiana's Housing Units**



BROADBAND AVAILABILITY IN INDIANA:

97% of the population

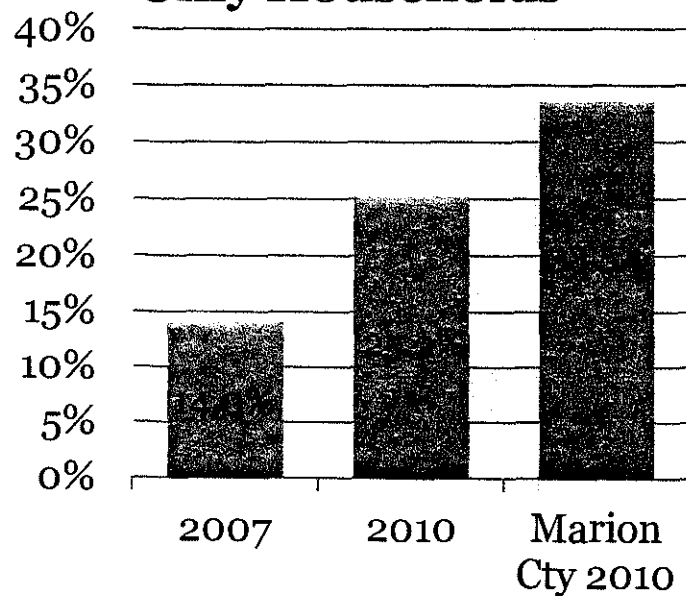
Notes:

- Incumbent Local Exchange Carriers (ILECs)
- ILEC access lines from FCC reports: "Local Telephone Competition: Status as of December 31, 2003" and "Local Telephone Competition: Status as of December 31, 2010"
- Wireless from FCC reports: "Local Telephone Competition: Status as of December 31, 2000" and "Local Telephone Competition: Status as of December 31, 2010"
- Broadband from FCC reports: "High-Speed Services for Internet Access: Subscribership as of December 31, 2000" and "Internet Access Services: Status as of December 31, 2010"
- Housing Units from U.S. Census Bureau.

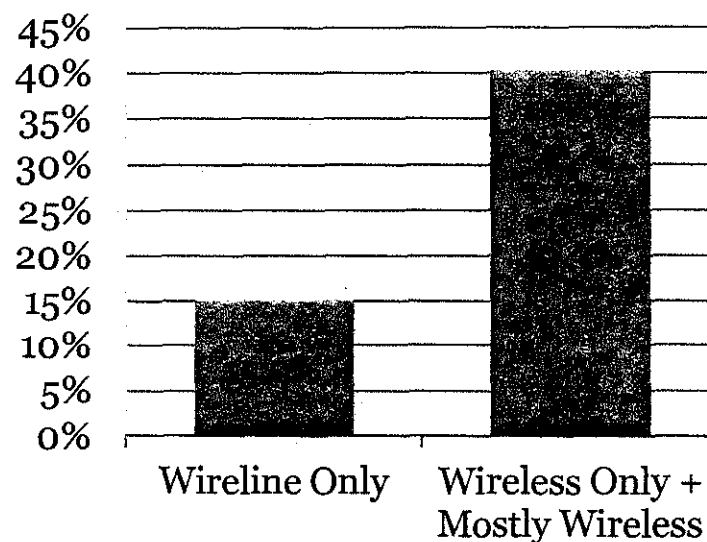


Customers Choosing Wireless

Percent of Indiana Adults in Wireless Only Households



2010 Indiana Adults by Type of Household



Source: Centers for Disease Control National Health Statistics Reports: Wireless Substitution, April 20, 2011



Carrier of Last Resort

- The Regulatory Compact
 - Monopolies are now gone, but obligations remain
 - Previous subsidies are now gone
 - Business Rates, LD Rates, Rate of Return
 - Unfunded mandate
- Technology is driving consumer choice
 - Consumers want broadband and wireless, not POTS
 - This rule drives irrational capital spending
 - Regulation shouldn't impede innovation
- Regulations shouldn't discriminate
 - Not only are we not a monopoly, we may not have the largest share in many markets.
- Other states are moving forward
 - Florida, North Carolina, South Carolina, Wisconsin, Michigan



FCC Reform

- The FCC just issued a new order totally reforming the Universal Service Fund.
 - A decade of work to fix a broken system
 - Changes the focus from wireline voice to broadband
 - Everyone has phone service, broadband is still unavailable to 18 million U.S. households
 - On a path to ubiquitous broadband by decade's end
- FCC Chairman: The proposal will not eliminate carrier of last resort obligations